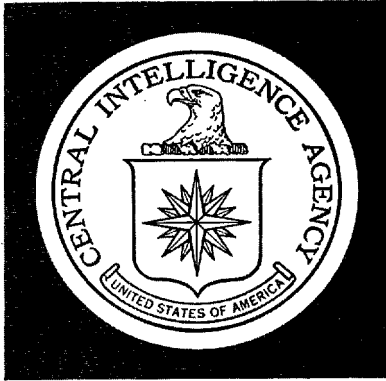


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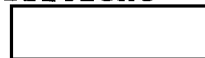
South Vietnam: Military activity remained light and scattered. Communist overnight shellings were at their lowest ebb in a month.

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Communist espionage and commando-terrorist efforts in Saigon have run into hard times.

During the past several months, government security services have uncovered several Communist intelligence networks in the capital city area. They had provided the enemy with a broad range of information on military operations and South Vietnamese politics. One such network, uncovered in April, had reached into South Vietnam's Lower House, National Police headquarters, the Joint General Staff, and the Ministry of Revolutionary Development. The Communists may have other assets at this level, but the extent of their collection capability is not known.

A prisoner has reported that heavy casualties during last year's fighting in Saigon crippled Communist terrorist capabilities there. The Communists have been forced to fill their commando ranks with infiltrators from North Vietnam whose unfamiliarity with cities in the South diminished their effectiveness in Saigon. Although urban disruption remains a high priority enemy aim, available evidence suggests the Communists have been unable to place sufficient assets in Saigon to meet their objectives.



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East Germany: Pankow probably will pay heavily in foreign aid for its recent diplomatic recognition by Iraq and several other less developed countries.

East Germany has agreed to provide Baghdad with an \$84-million credit to finance the import of industrial equipment and the cost of technical experts. Although specific projects have not yet been announced, some may have been agreed upon during the recent visit to East Germany by the Iraqi minister for industry.

East Germany also signed economic aid agreements of unknown magnitude with Syria and the Sudan following their recognition. A similar agreement may be concluded soon with Southern Yemen, which announced its diplomatic recognition of East Germany on 30 June.

One East German spokesman recently told a US official that his country could no longer afford "significant recognitions" in the near future in view of its extensive financial commitments to Iraq, Syria, Cambodia, and the Sudan. Despite this claim, however, East Germany probably would be willing to extend aid to other countries in return for recognition.

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East Germany: Pankow's stringent application of border controls to all crossers is dismaying its eastern neighbors and is a minor harassment for Westerners as well.

Polish, Czechoslovak, and Hungarian nondiplomatic travelers have been subjected to rigorous searches and delays. Members of the Czechoslovak and Polish military missions in West Berlin suffered similar delays, [REDACTED]

US and Hungarian journalists posted in West Berlin have also experienced border delays, and in some cases US newsmen have been denied entry to East Berlin. [REDACTED]

New taxes have been imposed on goods crossing the border from both east and west. On 4 June, after the Poles had refused to pay transit tax on the cargo, the East Germans refused passage to a truck loaded with goods destined for the Polish Military Mission in West Berlin.

The East Germans continue to reject those West German goods that they deem an affront to East German sovereignty. On 15 June, 5,000 copies of a West German legal gazette were turned back at the border. Some West German citizens and a West Berlin boatman were stopped at the border on 28 June because of alleged affiliation with the National Democratic Party.

While the restrictions against the West are not particularly new, those against East Europeans are. In addition to emphasizing their sovereignty through increased border controls, the East Germans may be

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attempting to correct real deficiencies in border procedures with the East. They are known, for example, to be concerned about widespread smuggling. Their tough treatment of East European travelers and diplomatic personnel, however, may also be intended to show East German pique over political and economic differences within the bloc, particularly with the Poles who currently are engaged in a dialogue with Bonn.

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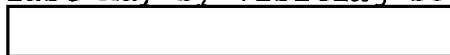
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Hungary: The party has issued new guidelines for the nation's scientific effort that loosens some bureaucratic restrictions on objective scientific research and on Western contacts, but that further restrict deviation from ideological orthodoxy.

The Hungarian party central committee on 27 June approved a politburo program that is designed to correct bureaucratic malpractices and to reduce waste and factionalism. The program calls for greater freedom to express scientific opinions in "suitable forums" (i.e., not in the open press) and more official support for scientific exchanges with capitalist countries. These provisions are balanced, however, by greater control by the party over the direction and ideological content of scientific research. The program also includes a 15-year research plan (1970-1985), the establishment of a Committee on Science Policy under the Council of Ministers, and a reform of the Hungarian Academy of Sciences.

The guidelines will probably meet mixed reactions from the scientific community. The prospect of more open contacts with Western counterparts and the regime's promise to "fight against subjectivism, narrow interests, and scientific monopolies" offers some hope of reducing bureaucratic obstruction of the research effort. On the other hand, the party's insistence on ideological conformity and its reassertion of absolute authority over scientific research will cause much unease among researchers in politically sensitive areas, such as the social sciences.

The new program takes account of objections the Soviets made to a revised science policy in Czechoslovakia last year and it may even have been cleared last May by visiting Soviet party secretary Demichev.



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Western Europe: The Dutch Government is under increasing pressure from parliament not to sign the tripartite gas centrifuge agreement with the UK and West Germany.

The legislators are concerned that the UK might use enriched uranium from the centrifuge for weapons purposes. They do not want the British to take the slightly enriched uranium--about three percent U-235--from the tripartite plants and feed it into their own gaseous diffusion plant to bring it up to the high enrichment necessary for a weapons program. The Dutch may also be uneasy lest the British later apply the technology developed during the cooperative venture to set up a gas centrifuge plant of their own that would produce weapons-grade material.

The Hague will not permit any Dutch-sponsored research to be involved in nuclear weapons production. This is one of the reasons that the UK and the Netherlands have not been able to agree on the terms of the tripartite treaty. The Hague has now suggested that London come up with a compromise proposal that would isolate the centrifuge process and product from any British nuclear weapons program.



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Western Europe - Africa: A new version of the Yaounde Convention, continuing the economic link between the European Communities (EC) and 18 African states for another five years, has been initialed in Luxembourg.

Under the new convention, the European Development Fund will consist of \$1 billion in aid, \$200 million more than under the previous one. France and Germany will make the largest contributions, with the Benelux countries, Italy, and the European Investment Bank contributing lesser amounts.

Other issues, including the complex one of trade preferences, were settled in secret negotiating sessions. The Dutch and the West Germans had been pressing for a scheme of preferences for all less developed countries, but the new convention will continue the present preference arrangements with the African states involved. The net trade advantage to these states may now be less, however.

The African states were pressing for additional trade advantages from the community. Their exports to the EC have grown very slowly in recent years and they hoped that improved preferences for their commodities would increase their sales. The offer of additional aid was probably designed to mollify them.

France is pleased with the terms of the new convention, particularly the size of the development fund. The French consider the maintenance of the EC-Africa link to be essential to the stability of the African countries involved and to the preservation of Western influence there.

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Egypt-India: Egypt's abandonment of its E-300 aircraft engine program has effectively terminated the project of the two countries jointly to produce fighter planes.

The project, which got under way in June 1966, was designed to join India's HF-24 airframe with Egypt's E-300 engine. The UK has since supplied the Indians with a better engine for the HF-24, and the Indian Government reportedly has now offered the test airframe to the Egyptians as a gift.

Egypt's development of the E-300 engine has encountered numerous problems. The Egyptians have spent several hundred million dollars on the project, but the engine was never effectively teamed with the airframe.

Egypt's Council of Ministers reportedly decided in September 1968 to use some aircraft plants built for this project to manufacture consumer products. It also called for termination of the fighter plane project unless a successful flight were made by the end of March 1969. In view of the delays, economic and technical difficulties, and Soviet pressure to terminate the project, Egypt reportedly will now limit its efforts to the continuation of some basic engine research and development work by a small group of Egyptian engineers.

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West Germany: Bonn's decision yesterday to suspend relations with Southern Yemen in retaliation for its recognition of East Germany repeats the action taken against Cambodia last month. As in the Cambodian case, the suspension of diplomatic ties represents a cabinet-level compromise. Christian Democratic ministers have argued for the traditional complete break, whereas Social Democrats have argued for maintaining ties. Working-level officials in the Bonn Foreign Ministry have shown concern over the number of states recognizing East Germany--five in two months--and have been pessimistic that West Germany has any good way of stopping this trend.



* * * *

Venezuela: Student unrest continues to disrupt most of the country's universities. Left-wing student extremists are demanding greater participation in school administration, have seized buildings, and have forced the suspension of classes, but there has been no violence of the magnitude that occurred last May. Student unrest will probably diminish over the next few weeks as the academic year draws to a close.



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